RHB Asset Management

FUND FACTSHEET - NOVEMBER 2020

All data expressed as at 31 October 2020
unless otherwise stated

3-year Fund Volatility
10.7
moderate
Lipper Analytics 10 OCT 2020

RHB ISLAMIC REGIONAL BALANCED FUND - USD CLASS

The Fund aims to provide regular income* and capital growth over the medium to long-term** from a diversified portfolio of Shariah-compliant investments.

Note: Income is in the form of Units. Please refer to the Fund's distribution mode.*

*** "medium to long-term" in this context refers to a period of three (3) years or more.*

INVESTOR PROFILE

This Fund is suitable for investors who:

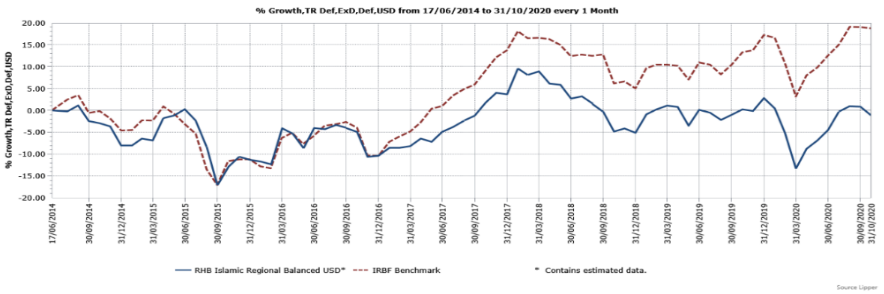
- want to have a balanced portfolio that provides both income and capital growth, and at the same time complies with the principles of Shariah; and
- are willing to accept moderate risk in their investments.

INVESTMENT STRATEGY

- At least 40% and up to 60% of NAV: Investments in Shariah-compliant equities.
- At least 40% and up to 60% of NAV: Investments in non-equity Shariah-compliant investments.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



RHB Islamic Regional Balanced Fund ("IRBF") Benchmark : Following the change in Shariah screening methodology of the Fund from a combination of screening methodologies to a single FTSE Shariah screening methodology effective from 3 December 2017, the performance of this Fund is benchmarked against a composite benchmark comprising 50% RAM QuantShop GII (medium term) Index and 50% FTSE Shariah Developed Asia Pacific Index. Prior to 3 December 2017, the performance of this Fund is benchmarked against a composite benchmark comprising 50% RAM QuantShop GII (medium term) Index and 50% Dow Jones Islamic Market Asia Pacific Index.

Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	**-2.00**	**-0.87**	**8.37**	**-3.86**
Benchmark	-0.25	3.25	9.95	1.30

	1 Year	3 Years	5 Years	Since Launch
Fund	**-1.39**	**-2.83**	**13.44**	**-1.16**
Benchmark	4.82	8.85	34.32	18.74

Calendar Year Performance (%)*

	2019	2018	2017	2016	2015
Fund	**8.36**	**-8.44**	**15.58**	**1.11**	**-3.58**
Benchmark	11.60	-7.65	26.92	0.88	-6.90

Source: Lipper IM

FUND DETAILS

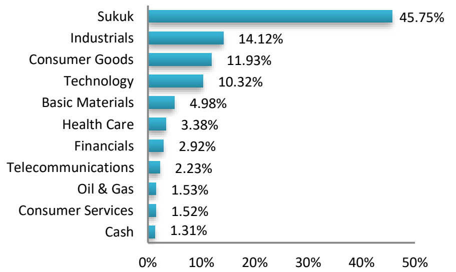
Investment Manager	RHB Asset Management Sdn. Bhd.
Trustee	TMF Trustees Malaysia Bhd
Fund Category	Balanced fund (Shariah-compliant)
Fund Type	Income and growth
RM Class Launch Date	08 April 2014
USD Class Launch Date	17 June 2014
Domicile	Malaysia
Base Currency	Malaysian Ringgit (RM)
Unit NAV	USD 0.9884
Fund Size (million)	USD 0.51
Units In Circulation (million)	0.51
Financial Year End	30 April
MER (as at 30 Apr 2020)	2.00%
Min. Initial Investment	USD 1,000.00
Min. Additional Investment	USD 100.00
Benchmark	50% RAM QuantShop GII (medium term) Index + 50% FTSE Shariah Developed Asia Pacific Index
Sales Charge	Up to 5.00% of investment amount*
Redemption Charge	None
Annual Management Fee	1.80% p.a. of NAV*
Annual Trustee Fee	Up to 0.06% p.a. of NAV, subject to a min. of RM18,000p.a.*
Switching Fee	USD 10.00 per switch*
Distribution Policy	Annually, if any

**All fees and charges payable to Manager and the Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the government from time to time.*

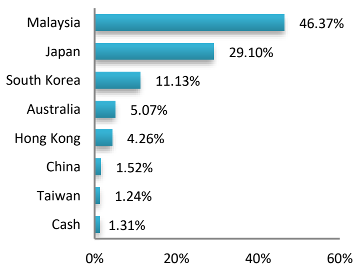
For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management fee and trustee fee for the relevant day.

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

SAMSUNG ELECTRONICS CO LTD	4.93
BANK MUAMALAT MALAYSIA 5.05% (25/11/2021)	4.95
YTL POWER INTERNATIONAL 5.05% (03/05/2027)	3.76
WCT HOLDINGS BHD 6.0% PERPETUAL	3.73
AFFIN ISLAMIC BANK BHD 5.65% PERPETUAL	3.38

**As percentage of NAV*

FUND STATISTICS

Historical NAV (USD)

	1 Month	12 Months	Since Launch
High	1.0318	1.0421	1.1106
Low	0.9884	0.7754	0.7754

Source: Lipper IM

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MANAGER'S COMMENTS

MARKET REVIEW

Equity

World equity markets started off strongly in the month of October 2020 on the back of continued improvement in economic data. However, the resurgence of new Coronavirus Disease 2019 (COVID-19) cases particularly in United States (US) and Europe resulted most equity markets ended the month on the red. So far, the second wave of COVID-19 has been more pronounced in Europe and the US, forcing some countries to re-enact partial to complete shutdowns in select regions. The spurt in new cases cast doubts over the growth momentum in the near term. For the month, we saw US declining 2.7%, Europe 5.7%, Japan 1.6%. Asia ex-Japan (+2.8% in October 2020, year-to-date: 6.4%) was the stand-out performer in October 2020 as it was the only region in the world to register an advance. China (5.3%) rode on rising investor optimism, as it unveiled the 14th Five Year Plan to set out on becoming an advanced socialist country with leading global influence by 2049. ASEAN advanced 0.4% after two consecutive down months, driven by Indonesia (8.6%) and the Philippines (7.9%), while political uncertainties weighed on Thai stocks (-2.3%). Meanwhile, brent crude oil declined -8.5% in October 2020 due to continued demand concerns while Crude Palm Oil (CPO) futures traded higher to RM3,252, +14.5% month-on-month (MoM) on the back of potential decline in production due to shortage of workers in the sector.

Sukuk

Despite of the rapid rising COVID-19 cases in US and dwindling hopes for fiscal stimulus package, the country recorded a record jump in 3Q Gross Domestic Product (GDP) at annualized 33.1% quarter-on-quarter (QoQ), beating consensus expectation of a 31% surge. It is the largest expansion ever following a record 31.4% plunge in 2Q as government injected more than USD3 trillion worth of pandemic relief to fuel consumer spending. However, the GDP is still 3.5% below its level at the end of 2019 and the outlook for 4Q remain uncertain in view of the second wave of coronavirus pandemic.

US Treasuries (UST) yield traded largely higher in the month of October as political uncertainties looming in the wake of the US presidential election in early November. Longer dated UST curve rose faster than the shorter end portion hence causing further steepening of the UST curve, with the 10-year/2-year and 30-year/2-year spread hovering around 69 basis points (bps) and 146 bps respectively.

At the month end of October 2020, the benchmark 2-, 5-, 10- and 30-year UST were last traded at 0.15% (September 2020: 0.13% +2bps), 0.36% (0.28%; +8bps), 0.82% (0.68%; +14bps) and 1.60% (1.46%; +14bps) respectively.

On the local front, demand for govvies remained supported as investors stay defensive amid concern over downside risk to growth following the resurgence of COVID-19 cases and prospect of further monetary easing by Bank Negara Malaysia (BNM) in the upcoming Monetary Policy Committee (MPC) meeting scheduled on 3rd November. Yields of the Malaysian Government Securities (MGS) and Government Investment Issue (GII) ended tightened across the curve following positive vibes emerging from the well-supported 5-year GII 3/26 reopening tender. Despite slew of issuances in govvies bond supply in October, they were well received by market players. Auctions featuring MYR4.5 billion 3-year GII, MYR5.0 billion new 10-year MGS and MYR5.0 billion 5-year GII printed solid bid to cover ratios at 3.093x, 1.994x and 1.996x respectively. Yield of the MGS and GII tightened lower across the curve led by the shorter end portion, the 3-year and 5-year MGS benchmark yield eases more than 20 bps lower month-on-month to settle around unprecedented low level of 1.75% and 2.01% on 30th October 2020.

Month-on-month, yield curve generally flattened as MGS yields were pushed lower on the shorter end up till 5 years 8 to 20bps while the long end of the curve shifted higher by range of 3-12bps. At the close, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 1.75% (September 2020: 1.99%), 2.00% (2.25%), 2.34% (2.43%), 2.62% (2.67%), 3.10% (3.02%), 3.45% (3.33%) and 3.85% (3.81%) respectively. Similarly, shorter tenure 3-year GII yield moved lower by 20bps while the longer tenure inched higher by an average of 5-6bps. At month end, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year GII were reported at 1.79% (September 2020: 2.04%), 2.17% (2.21%), 2.37% (2.35%), 2.59% (2.63%), 3.21% (3.15%), 3.53% (3.56%) and 4.10% (4.05%) respectively.

MARKET OUTLOOK AND STRATEGY

Equity

The resurgence of COVID-19 infections has resulted in lockdown measures of varying degrees being imposed which has raised concerns of a slower-than-expected global economic recovery. This implies that the prevailing coordinated efforts by governments to stimulate economies via both fiscal and monetary policies will stay for a prolonged period. Therefore, the flush of liquidity will continue to be positive for the equity market, while economic recovery slowly makes its way back to normalcy. Over the longer term, we are positive on the equity market as normalisation post a vaccine would likely further support GDP and top-line recovery. In the short term, we expect the volatility in the regional/global markets to continue. Hence, we continue to stay Overweight in the cyclical sectors such as technology and Industrial. As for country allocation, we continue to Overweight South Korea and Hong Kong/China.

Sukuk

Gradual re-opening of economy globally and concerted monetary easing by major global central Banks should spur recovery prospects in the coming quarters after improvements shown in 3Q prints. However, there are lingering concern for a resurgence of new COVID-19 waves in the northern hemisphere as these countries entering into winter season. At the time of writing, Europe and the UK have reported increasing number of new COVID-19 cases which appears to be derailing growth prospects as Governments called for another lockdown or partial lockdown.

Notwithstanding the above, the US recorded a hefty jump in its 3Q GDP despite of the rapid rising COVID-19 new cases. It is among the earliest countries with second wave of infections following the reopening of economic activities. Amid the concern over downside risk to growth, the US Federal Reserve (Fed) continues to pledge its ultra-low monetary policy path, likely to keep the benchmark interest/profit rate at near zero level until the earliest 2023. Nonetheless, market is deeply concern on supply pressure to the bond market from fiscal stimulus as well as prospect of greater fiscal spending with Joe Biden's leading the polls in the US Presidential election.

With prospects of allowing inflation rate to rise and also increase in government debt issuance to finance enlarged stimulus packages, we opine that yield may rise gradually premised on better economic numbers as US economy reopens. Nevertheless, yields are not expected to rise at levels prior to the pandemic on views that there will not be hasty decisions to raise rates before 2023.

As for Malaysia, despite it recorded a soft 2Q2020 GDP print at -17.1% year-on-year (YoY), the data showed that domestic growth has rebounded since April, implying that domestic growth may have bottomed in 2Q and is poise to recover in 2H2020 with the gradual reopening of economies.

Growth in the 3Q is likely to print a lesser contraction (scheduled for release on 13th November) following relaxation of movement controls and reopening of economic activities since May/June periods. However recent resurgence of COVID-19 cases on the domestic and global front could pave the way for further monetary policy and fiscal responses to ensure recovery traction will not be derailed significantly. Recent movement control orders are likely to mirror further downside risks to 4Q growth expectations.

Nevertheless, BNM has decided to maintain the Overnight Policy Rate (OPR) at 1.75% at the final MPC for this year held on 3 November 2020, citing projected further improvement on the country's economic activity and inflation to remain subdued as the world economy contends with the resurgence in COVID-19 cases. In a statement post MPC, BNM was confident on the continued recovery in the global economy, led by improvements in manufacturing and export activity although the resurgence in COVID-19 cases suggests that the global economic recovery will likely remain uneven in the near term. As for Malaysia, the latest indicators point towards significant improvement in economic activity in the third quarter. BNM acknowledged, the introduction of targeted measures to contain COVID-19 in several states could affect the momentum of the recovery in the fourth quarter. Nonetheless, growth for the year 2020 is expected to be within the earlier forecasted range. On Malaysia's inflation, BNM said that in line with earlier assessments, headline inflation is likely to average negative this year given the substantially lower global crude oil prices. For 2021, headline inflation is projected to average higher. The country's inflation outlook will continue to be significantly affected by global oil and commodity prices. Focus will also be on the tabling of Budget 2021 on Friday, 6 November, which is expected to provide sufficient support to keep the economy afloat until a more definite medical solution for the pandemic is found. We view that the central bank still has room for further policy easing in 2021 if needed, with prospects of further easing remain data dependent.

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